

## Message Text

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ACTION ARA-20

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EO 11652: N/A

TAGS: EGEN, PN

SUBJ: DRAFT LAW TO ESTABLISH GOVERNMENT AGENCY TO  
PURCHASE MEDICAL SUPPLIES UNDER STUDY

1. PANAMA AMERICA, A SPANISH LANGUAGE GOVERNMENT-  
CONTROLLED NEWSPAPER HAS PUBLISHED THE TEXT OF DRAFT  
LEGISLATION WHICH WOULD CREATE AN AUTONOMOUS GOVERNMENT  
AGENCY TO BE CALLED CENTRAL INSTITUTE OF MEDICINES.  
THE PURPOSE OF THIS AGENCY WOULD BE TO SUPPLY MEDICINES,  
AND MEDICAL, SURGICAL AND DENTAL SUPPLIES AND EQUIP-  
MENT TO STATE CLINICS, HOSPITALS AND THEIR RESPECTIVE  
PHARMACIES AND HEALTH CENTERS. THE INSTITUTE WOULD  
ALSO BE RESPONSIBLE FOR PREPARATION OF MATERIALS FOR  
MEDICAL USE AND RE-PACKAGING AND MANUFACTURE OF  
MEDICINES. THE INSTITUTE WOULD CHARGE FOR MEDICAL  
PRODUCTS SUPPLIED TO THE VARIOUS GOVERNMENT ENTITIES  
AT A RATE OF COST PLUS 10 PERCENT TO COVER  
ADMINISTRATIVE AND HANDLING CHARGES.

2. A SERIES OF EDITORIAL ARTICLES IN THE SAME NEWSPAPER  
HAS POINTED OUT THE ADVANTAGES OF CREATING THE ABOVE  
AGENCY WHICH COULD SEEK THE MOST ADVANTAGEOUS PRICES  
THROUGH PURCHASE LOCALLY OR ABROAD. THE EDITORIAL  
SUGGESTED THAT LOCAL DISTRIBUTORS OF IMPORTED DRUGS  
OPERATE ON A GROSS MARGIN ABOVE COST AVERAGING ABOUT 35  
PERCENT WHEREAS A GOVERNMENT IMPORTING AGENCY COULD  
RECEIVE A 10 PERCENT DISCOUNT FROM FOREIGN SUPPLIERS.

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WHILE INSISTING THAT THE NEW LAW WOULD NOT BE DESIGNED

TO "SUFFOCATE" PANAMANIAN DISTRIBUTORS, THE EDITORIAL WRITER NOTES THAT THE PEOPLE OF PANAMA HAVE ALWAYS ASSOCIATED THE DRUG BUSINESS WITH THE MAFIA. THE EDITORIAL SUGGESTS THAT SUCH A STATE ENTITY WOULD NOT BE SUBJECT TO THE DISADVANTAGES RESULTING FROM PRESSURE EXERTED BY EXCLUSIVE SUPPLIERS OR THE COLLUSION OF DISTRIBUTORS WHO FIX PRICES.

3. PANAMANIAN OFFICIALS CLAIM TO HAVE BORROWED THE IDEA FROM THE PRACTICE OF THE U.S. GOVERNMENT IN THE CANAL ZONE WHERE ALL MEDICINES ARE BOUGHT AND SOLD BY GORGAS HOSPITAL WHICH IS RUN BY THE PANAMA CANAL COMPANY.  
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